

**OFFICIAL TESTIMONY  
OF  
DANIEL W. LUCAS, INSPECTOR GENERAL  
  
BEFORE THE  
COUNCIL OF THE DISTRICT OF COLUMBIA  
COMMITTEE ON GOVERNMENT OPERATIONS  
  
FISCAL YEAR 2016 PERFORMANCE OVERSIGHT HEARING  
  
FEBRUARY 23, 2017**

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Good morning Chairperson Todd and members of the Committee. I am Daniel W. Lucas, the Inspector General for the District of Columbia. I am joined today by Marie Hart, my Principal Deputy Inspector General, and Karen Branson, my General Counsel. Also with us are members of my staff who directly support the OIG in executing its mission.

I am pleased to testify at today's Performance Hearing to share with the Committee an overview of the OIG; our Fiscal Year (FY) 2016 and FY 2017 accomplishments, to date; and the plans for the remainder of FY 2017 and beyond.

**THE OIG'S MISSION**

Before I present our accomplishments during the performance period, I'd like to provide an overview of the OIG's mission, and how I've organized the office to meet this mandate.

The OIG's mission is to:

- Conduct independent financial and performance audits,<sup>1</sup> inspections, evaluations, and investigations of District government operations,<sup>2</sup>
- Work with authorities to address administrative misconduct, unethical behavior,<sup>3</sup> and report expeditiously to the U.S. Attorney when we believe there has been a violation of Federal or District criminal law,<sup>4</sup> and
- Provide leadership, coordinate, and recommend policies to promote economy, efficiency, and effectiveness, and to prevent and detect corruption, mismanagement, waste, fraud, and abuse in District government programs and operations<sup>5</sup> by: (1) providing recommendations to District agencies; (2) responding to complaints of administrative or criminal wrongdoing; (3) proactively engaging District government leaders; and (4) providing training to District government employees and stakeholders.

### **THE OIG'S ORGANIZATIONAL DESIGN**

To meet our statutory mandate, I organized my Office so information flows between the divisions to ensure the OIG's mission is accomplished in a cost-efficient and timely manner.

The OIG's systems approach includes three inter-related divisions (Risk Assessment and Future Planning (RAFP), Operations, and Quality Management (QM)). These divisions are supported by Business Management and the Office of General Counsel (OGC).

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<sup>1</sup> D.C. Code § 1-301.115a (a)(3)(A) (Repl. 2016).

<sup>2</sup> *Id.* at (a)(3)(D).

<sup>3</sup> *Id.* at (a)(3)(F)(i).

<sup>4</sup> *Id.* at (f).

<sup>5</sup> *Id.* at (a-1)(2).

- RAFP continually surveils and evaluates the District landscape for anomalies that suggest a risk of corruption, fraud, waste, abuse, or mismanagement in programs or operations, and provides this information to OIG leadership to make proactive, data-driven, fact-based decisions.
- The Operations Division consists of the four externally focused Units of the OIG – I will discuss these units and their results over the performance period later in my testimony.
- QM ensures all OIG audit, inspection, evaluation, and investigation products comply with OIG policies, professional standards, and best practices.
- The Business Management Division establishes policies and controls, as well as delivers services to support the other divisions' goals and objectives. Business Management comprises the following functions: (1) Facilities; (2) Contracts and Procurement; (3) Information Technology; (4) Human Resources; (5) Administrative Services; and (6) Communications and Public Relations.
- OGC provides in-house legal services by ensuring OIG operations, activities, and communications conform to legal requirements; rendering frank and objective legal advice to protect the OIG against legal liability; and advocating the OIG's legal position in disputes.

### **OIG'S FY 2016 AND FY 2017 ACCOMPLISHMENTS, TO DATE**

In FY 2016 we saw results from our organizational transformation, because of focused and dedicated efforts by OIG staff. Our performance accomplishments, to date, show an OIG that is

moving in a positive, proactive, and productive direction. This momentum is evidenced in the success of our operational units.

## **AUDIT UNIT**

The Audit Unit (AU) conducts both financial and performance audits. AU's performance is measured by the number of projects conducted, findings identified, recommendations made and agreed-to by a District entity, and ultimately the subsequent improvements in agency or program operations within the District. In total, AU staff authored 11 reports. Additionally, as part of our statutory responsibility to award and administer the District's Comprehensive Annual Financial Report (CAFR) audit,<sup>6</sup> we oversaw an additional 10 engagements conducted by the CAFR contractor. Overall, this represents a significant increase in the number of reports produced by AU as compared to FY 2015.<sup>7</sup> We attribute the improvement in efficiency to additional training for audit staff and process improvements within the organization. Several of the reports issued in FY 2016 closed protracted projects, thereby allowing staff to focus on more timely and relevant engagements for the District.

In total, AU made 16 recommendations to District agencies, of which 56-percent were agreed-to. AU made an additional 13 suggested improvements designed to improve the efficiency and effectiveness of District operations. During the remainder of FY 2017, AU will complete both ongoing and initiate new projects designed to provide macro-oversight to a variety of systems within the District.

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<sup>6</sup> D.C. Code § 1-301.115a(a)(4) (Repl. 2016).

<sup>7</sup> In FY 2015, the OIG's Audit Unit authored 4 reports. Source: OIG's *FY 2015 Report on Activities*, available at: <http://oig.dc.gov>.

## **INSPECTIONS AND EVALUATIONS UNIT**

The Inspections and Evaluations Unit (I&E) issues both reports of inspection and special evaluation. I&E's performance, like AU, is measured by the number of projects conducted, findings identified, recommendations made and agreed-to by District entities, and ultimately the subsequent improvements in agency or program operations within the District. In total, I&E staff authored eight (8) reports. These reports included 47 recommendations to improve District operations, of which 95-percent were agreed-to. Like AU, this also represents an increase in reports produced compared to the previous performance period.<sup>8</sup> We also attribute the increase in efficiency to process improvements within the organization.

During the remainder of FY 2017, I&E will continue to conduct projects that provide micro-oversight, evaluating both individual contracts and grants, awarded by the District.

## **INVESTIGATIONS UNIT**

The Investigations Unit (IU) conducts criminal and administrative investigations. IU's performance is measured by the number of referrals made to our oversight partners, as well as the outcomes such as administrative action, restitution, recoupment, and convictions as a result of our investigations. During FY 2016, IU's work resulted in 7 convictions, over \$116-thousand referred to the Office of the Attorney General (OAG) for recoupment, and over \$237-thousand in restitution and fines.<sup>9</sup> Additionally, IU referred 5 cases to the District's Board of Ethics and Government Accountability (BEGA) for action they deem appropriate. While these results are impressive, I must caution the Committee members and the public on the continued

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<sup>8</sup> In FY 2015, the OIG's Inspection and Evaluation Unit authored 6 reports. Source: OIG's *FY 2015 Report on Activities*, available at: <http://oig.dc.gov>.

<sup>9</sup> In FY 2015, the OIG's Investigations Unit had 10 convictions, \$430-thousand referred to the OAG for civil recoupment, and \$403-thousand in restitution and fines. Source: OIG's *FY 2015 Report on Activities*, available at: <http://oig.dc.gov>.

sustainability of these measures. As we investigate matters that vary in both complexity and the amount of OIG resources required, while facing the competing priorities of our partners that prosecute OIG cases, performance results will fluctuate between performance periods.

IU will continue to seek opportunities to improve the efficiency and effectiveness of our investigations by implementing process improvements and seeking increased training opportunities for our Special Agents. During the performance period, we collaborated with the Council of the Inspectors General on Integrity and Efficiency (CIGIE) to conduct a two-week training course for OIG investigators – a first for the OIG.

During the remainder of FY 2017, IU will continue to conduct both criminal and administrative investigations that address corruption, fraud, waste, abuse, and mismanagement within the District.

### **MEDICAID FRAUD CONTROL UNIT**

The Medicaid Fraud Control Unit (MFCU) investigates and prosecutes two distinct categories of offenses: (1) fraud committed against the District Medicaid program by healthcare providers; and (2) physical and sexual abuse, criminal neglect, and financial exploitation of persons receiving Medicaid-funded services or residing in Medicaid-funded healthcare facilities.

MFCU's performance is measured by the number of criminal convictions, civil resolutions, and criminal and civil recoveries. During FY 2016, MFCU's work resulted in 7 criminal convictions, 9 civil resolutions, over \$83-million in restitution, and over \$7.8-million in civil recoveries.<sup>10</sup> As is the case for IU investigations, MFCU investigations and the corresponding

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<sup>10</sup> In FY 2015, the OIG's Medicaid Fraud Control Unit had 8 civil resolutions, 18 criminal convictions, \$282-thousand in restitution, and \$2-million in civil recoveries. Source: OIG's *FY 2015 Report on Activities*, available at: <http://oig.dc.gov>.

performance measures will fluctuate between performance periods. The MFCU will continue to seek opportunities to enhance our partnerships with oversight bodies (such as the OAG, FBI, and the Office of the Inspector General for the Health and Human Services) and provide enhanced training to MFCU staff members, all to improve the effectiveness and efficiency of their investigations.

During the performance period, MFCU collaborated with the OAG in pursuing low-dollar fraud using the District's False Claims act, which allows for treble damages and the possibility of civil penalties. The MFCU will continue to conduct Medicaid fraud investigations and devote additional resources to investigating patient abuse allegations within the District.

A complete summary of our performance, including an in-depth review of all OIG activities for FY 2016, is available in our *FY 2016 Report on Activities*. This report and our other products are available on the OIG's website.

### **PLANS FOR THE REMAINDER OF FY 2017**

We will continue the great work we initiated in FY 2016 and the beginning of 2017, while simultaneously working towards our vision – to be a world-class, customer-focused Office of the Inspector General that sets the standard for oversight excellence. As we work to attain our vision, OIG will undertake these projects during the remainder of FY 2017:

- **Organizational Performance Excellence.** The OIG began implementing an organizational performance excellence framework to ensure our finite resources work most effectively and efficiently for the District by improving internal structures and operations. These efficiencies will ultimately, as an agency, improve our ability to respond to potential risks related to corruption, fraud, waste, abuse, and mismanagement

in District government operations. Through this process, the OIG will improve its ability to conduct operations and continue to hold itself accountable for being good stewards of District resources.

- Revising our Enabling Legislation. As I discussed during the October 2016 Committee on Finance and Revenue's Public Hearing on Bill 21-813, "The Comprehensive Inspector General Independence and Empowerment Amendment Act of 2016," the OIG's legislation and corresponding authorities must be revised for the OIG to operate as originally intended. We will work with the Committee on Government Operations to reintroduce legislation to enhance the OIG's independence. This enhanced independence aims to improve the OIG's ability to independently: (1) recruit and manage our personnel; (2) procure goods and services; and (3) establish and maintain IT systems. Ultimately, enhanced autonomy and independence provides the District with a strong oversight organization that leverages best-practices while affording external stakeholders assurance that the District's resources are well-managed at the local level.
- Seeking Additional Resources. As we did last year, we submitted a budget request that includes both non-personal and personal services enhancements. These enhancements will add resources to OIG operations that directly result in additional oversight projects and products, allowing OIG to proactively address more of the District's risk areas. A small investment in the OIG today could result in the identification of additional funding for important District initiatives such as homelessness, affordable housing, education, and public safety. I look forward to discussing these enhancements with the Committee during our April 2017 Budget Hearing.



## **CONCLUSION**

In conclusion, Chairperson Todd and Members of the Committee, the OIG's best work remains in front of us. I am excited to build upon these accomplishments for the remainder of FY 2017 and into FY 2018, to identify and mitigate risks that pose the most serious challenges to District agencies and stakeholders, and to create an OIG that continually seeks opportunities to improve its performance.

This concludes my testimony, and I welcome an opportunity to answer your questions.